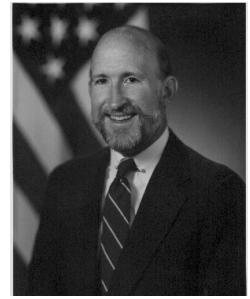


# NOTES FROM THE:

## Deputy Assistant Secretary, Cost & Economics

by Mr Joseph T. Kammerer



Since this is my first message in The Air Force Comptroller, I would like to give you some of my thoughts from my first six months in my new position. First, I would like to say that I am delighted to have been selected for the position. I believe that with the changes in the way we do our business, the adoption of the Defense Reform Initiatives (DRI), and the revolution in business affairs in the Air Force and throughout DoD, this is a challenging time to be involved in cost and economic issues. I look forward to working these issues and participating in Air Force decisions during the coming months.

During the last twenty years since I directed the Navy's first independent cost estimating and analysis group, there have been many changes in the way we conduct business and many improvements in the tools we use to do our jobs. First, we no longer operate as the "independent cost estimating" group for major weapon systems designated as ACAT 1D programs. For these programs, independent estimates are produced by OSD(PA&E). Congressional legislation in the 1990's made this very clear. However, we play a key role in the process by developing the Service Cost Position (SCP), which represents a coordinated Air Force view of the most likely life cycle cost estimate of the program. The SCP is the final product of an iterative process of reconciling the Air Force Cost Analysis Agency's (AFCAA) independent Component Cost Analysis (CCA) and the Program Office Estimate (POE).

The coordination takes place through the Air Force Cost Analysis Improvement Group (AFCAIG) which I chair. There are no longer two estimates presented to Air Force decision makers, one representing the program office and one representing an independent group. The coordinated SCP represents the Air Force's best efforts to provide a single life cycle cost estimate for the weapon system program. For ACAT 1D programs, this estimate is then presented to the OSD CAIG who makes an independent estimate and provides their evaluation to the Overarching Integrated Process Team (OIPT) and ultimately to the Defense Acquisition Board (DAB). For ACAT 1C Programs, the SCP is presented to the Air Force IPT, while the CCA developed by AFCCA serves as the independent estimate required by law. The OSD CAIG is not involved.

In this process, AFCAA adds value to the process in two ways. First, they independently estimate the cost of the high cost/high risk components of the weapon system and conduct a sufficiency review of other parts of the program office estimate. Secondly, they help the program office to better understand costs and methodology. Working together with the program office, we can do the best possible job for the Air Force.

Our Air Force customer in this process is SAF/AQ and we work closely with the principal deputy, the PEOs, and the program managers. We view our short run measure of success as presenting a documented, substantiated, credible cost estimate which survives the process without substantial cost and budget changes being forced on the Air Force. In the long run, we view our success as presenting a reliable cost estimate for the program that will come to fruition given the assumptions under which the cost estimate was developed. In the final analysis, if the weapon system is acquired for the projected costs, the Air Force will be served best. Good cost estimates are vital to the Air Force's ability to program and budget adequately for projected future costs for major weapon systems.

It is not in the Air Force's best interest to underestimate major weapon system life cycle costs. And yet, there seems to be pressure to do this. As we operate with fewer funds available to modernize our weapon systems, there is pressure to program more weapon systems and quantities than good cost estimating and analysis would justify. With pressure to reform our acquisition processes to buy weapons at less cost, we are witnessing some program offices projecting cost reductions that are not adequately justified or substantiated by any development or production experience. As you might imagine, we are having a difficult time defending these positions with the OSD CAIG.

Also, attempts to implement acquisition reform concepts for major weapon systems are resulting in waivers for collecting cost data which are needed to estimate the costs of future weapon systems. The end result may be a "throw back" to the days when only "contractor estimates" were used to project future costs. This practice led to widespread and large cost

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